

*The Stock Exchange of Hong Kong Limited takes no responsibility for the content of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims and liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**UPBEST GROUP LIMITED**

*(incorporated in Cayman Islands with limited liability)*

(Stock code: 335)

**UBA INVESTMENTS LIMITED**  
**開明投資有限公司**

*(incorporated in Cayman Islands with limited liability)*

(Stock code: 768)

**CONTINUING CONNECTED TRANSACTION  
IN RELATION TO  
THE SUPPLEMENTAL AGREEMENT FOR  
THE EXISTING INVESTMENT MANAGEMENT  
AGREEMENT**

Upbest Board and UBA Board are pleased to announce that UBA had entered into the Supplemental Agreement with UAML on 31st March 2006 for a period of 3 years commencing from 1st April 2006 in relation to the provision of investment management services to UBA by UAML. The Investment Management Agreement expired on 31st March 2006.

Pursuant to Rule 21.13 of the Listing Rules, UAML, the investment manager of UBA, is regarded as a connected person of UBA. Moreover, the ultimate beneficial owner of Upbest also holds approximately 32.08% of UBA. Accordingly, the Supplemental Agreement constitutes a continuing connected transaction for Upbest and UBA under Chapter 14A of the Listing Rules.

The relevant percentage ratios on an annual basis are less than 25% and the annual consideration is less than HK\$10,000,000. According to Rules 14A.45 to 14A.47 of the Listing Rules, Upbest and UBA are required to disclose details of the Continuing Connected Transaction by way of press announcement and include the information in relation to the transaction disclosed herein in the next published annual report and accounts of Upbest and UBA, and the Continuing Connected Transaction is exempted from the independent shareholders' approval requirements.

**SUPPLEMENTAL AGREEMENT FOR INVESTMENT MANAGEMENT AGREEMENT  
DATED 31ST MARCH 2006**

Parties : UAML and UBA  
Period : 3 years commencing from 1st April 2006 to 31st March 2009

Investment Management Fee : Receivable from UBA at a monthly rate at 1.5% per annum of the consolidated net asset value of UBA as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a year of 365 days. The valuation date is the last dealing day of the Stock Exchange of that particular month. UAML will not be entitled to any other types of fee other than this investment management fee and out-of-pocket reimbursement.

UBA is an investment company under Chapter 21 of the Listing Rules and its principal activities are investment in securities listed on the Stock Exchange and unlisted securities for its potential earnings growth and capital appreciation.

The Investment Management Agreement expired on 31st March 2006. The Supplemental Agreement extends the tenure of the Investment Management Agreement for another period of three years from 1st April 2006 to 31st March 2009. The other terms of the Investment Management Agreement remain unchanged and shall continue in full force and effect during the extended term.

For the financial years ended 31st March 2003, 2004 and 2005, the investment management fee accounted for HK\$958,242, HK\$1,471,517 and HK\$1,387,324. On the basis of the press announcement of the unaudited consolidated net asset value of UBA accounted to approximately HK\$104 million as at 28th February 2006, the estimated aggregate value of the Continuing Connected Transaction for the three financial years ending 31st March 2007, 2008 and 2009 will be approximately HK\$4.7 million (approximately HK\$1.6 million per annum).

The Upbest Board and UBA Board proposed to set an annual cap amount for the transaction as under:

| <b>For the financial year ended</b> | <i>HK\$ (million)</i> |
|-------------------------------------|-----------------------|
| 2007                                | 1.9                   |
| 2008                                | 2.3                   |
| 2009                                | 2.8                   |

The cap amounts are determined by reference to the present net asset value of UBA and an expected annual growth rate of approximately 20%. Based on the historical trend, both Upbest Board and UBA Board considered that the 20% annual growth rate is reasonable. The Upbest Board and UBA Board including their respective independent non-executive directors are of the opinion that the terms and conditions and the setting of the cap based on the 20% annual growth rate are fair and reasonable and in the interest of the respective Company and their respective shareholders as a whole.

The relevant percentage ratios on an annual basis are less than 25% and the annual consideration is less than HK\$10,000,000. According to Rules 14A.45 to 14A.47 of the Listing Rules, both Upbest and UBA are required to disclose details of the Continuing Connected Transaction by way of press announcement and include the information in relation to the transaction disclosed herein in the next published annual report and accounts of Upbest and UBA, and the Continuing Connected Transaction is exempted from the independent shareholders' approval requirements.

## **CONTINUING CONNECTED TRANSACTION**

UAML, the investment manager of UBA, is regarded as a connected person of UBA under Rule 21.13 of the Listing Rules. CCAA Group Limited, an investment holding company, holds approximately 69.31% interest in Upbest and UAML is a wholly owned subsidiary of Upbest. Fung Fai Growth Limited, an investment holding company, holds approximately 32.08% of UBA. The ultimate beneficial owner of Fung Fai Growth Limited and CCAA Group Limited is Cheng's Family Trust. Beneficiaries of the Cheng's Family Trust include Mr. Cheng Kai Ming, Charles ("Mr. Charles Cheng"), a director of Upbest and Mr. Cheng Wai Lun, Andrew ("Mr. Andrew Cheng"), a director of UBA, Mr. Andrew Cheng is the son of Mr. Charles Cheng. Accordingly, the Supplemental Agreement constitutes a continuing connected transaction of Upbest and UBA under Chapter 14A of the Listing Rules.

## **REASON FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION**

The Investment Management Agreement was originally entered into for 3 years. UBA has not officially asked for quotation from other investment managers, however, UBA has checked to the annual reports of other companies listed under Chapter 21. UAML's fee is among the lower end of the charges of these investment managers. In this regard, UBA decided to continue selecting UAML as the investment manager.

It is of UBA's benefit to engage an investment manager who exposes to more potential investment. In addition, the investment management fee calculation method creates incentive to the investment manager as it is determined according to the portfolio performance. The terms of the Supplemental Agreement have been negotiated between UAML and UBA on an arm's length basis and has taken into account the investment management fee rate prevailing in the market.

The Supplemental Agreement was entered into in the ordinary and usual course of business on normal commercial terms. Both Upbest Board and UBA Board are of the opinion that the terms of the Continuing Connected Transaction are fair and reasonable, is entered into on normal commercial terms and the Continuing Connected Transaction is in the best interests of Upbest Shareholders and UBA Shareholders as a whole.

## **GENERAL**

As at the date of this announcement, Upbest Board consists of Dr. Wong King Keung, Peter as chairman and non-executive director, Mr. Wong Ching Hung, Thomas, Mr. Cheng Kai Ming, Charles and Mr. Li Kwok Cheung, George as executive directors and Mr. Wong Wai Kwong, David, Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai as independent non-executive directors.

As at the date of this announcement, UBA Board consists of Mr. Li Kwok Cheung, George, Mr. Cheng Wai Lun, Andrew and Dr. Wong Yun Kuen as executive directors and Mr. Wong Wai Kwong, David, Dr. Lewis Hung Fung and Mr. Ip Man Tin, David as independent non-executive directors.

The common directors of Upbest and UBA, Mr. Li Kwok Cheung, George and Mr. Wong Wai Kwong, David, together with Mr. Cheng Kai Ming, Charles and Mr. Cheng Wai Lun, Andrew, beneficiaries of the Cheng's Family Trust, had been abstained from the respective meetings in approving the Continuing Connected Transactions. The Upbest Board and UBA Board including their respective independent non-executive directors are of the opinion that the terms and conditions and the setting of the cap based on the 20% annual growth rate are fair and reasonable and in the interest of the respective company and their respective shareholders as a whole.

Save for the directors disclosed above, Upbest Board and UBA Board declared that they do not have any conflict of interest in respect of the Continuing Connected Transactions.

Save for disclosed above, the other members of Upbest Board and UBA Board are independent from each other.

## **DEFINITIONS**

|                                    |  |
|------------------------------------|--|
| “Continuing Connected Transaction” | the transactions contemplated under the Supplemental Agreement and the Investment Management Agreement   |
| “HK\$”                             | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Investment Management Agreement”  | the investment management agreement entered into between UAML and UBA on 31st March 2003   |
| “Listing Rules”                    | Rules Governing the Listing of Securities on the Stock Exchange  |
| “Stock Exchange”                   | The Stock Exchange of Hong Kong Limited.   |
| “Supplemental Agreement”           | supplemental agreement for the Investment Management Agreement dated 31st March 2006   |
| “UAML”                             | Upbest Assets Management Limited, a company incorporated in Hong Kong with limited liability, is registered as an investment adviser with the Securities and Futures Commission and is principally engaged in the provision of investment and asset management services for discretionary and non-discretionary funds. Upbest Assets Management Limited is a wholly owned subsidiary of Upbest |
| “UBA Board”                        | the board of directors, including the independent non-executive directors, of UBA  |
| “UBA Group”                        | UBA and its subsidiaries   |
| “UBA Shareholders”                 | shareholders of UBA  |
| “UBA”                              | UBA Investments Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange.  |
| “Upbest Board”                     | the board of directors, including the independent non-executive directors, of Upbest   |
| “Upbest Group”                     | Upbest and its subsidiaries  |
| “Upbest Shareholders”              | shareholders of Upbest   |

“Upbest”

Upbest Group Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange

“%”

per cent

By order of the Board of  
**Upbest Group Limited**  
**Li Kwok Cheung, George**  
*Executive Director*

By order of the Board of  
**UBA Investments Limited**  
**Wong Yun Kuen**  
*Executive Director*

Hong Kong, 4th April 2006

Please also refer to the published version of this announcement in China Daily.